

**UNIFIED SCHOOL DISTRICT NO. 102
CIMARRON, KANSAS**

**FINANCIAL STATEMENT
with
INDEPENDENT AUDITOR'S REPORT
and
OMB CIRCULAR A-133, SINGLE AUDIT REPORTS
YEAR ENDED JUNE 30, 2013**

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INDEPENDENT AUDITOR'S REPORT

Board of Education
Unified School District No. 102
Cimarron, Kansas

We have audited the accompanying fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances of Unified School District No. 102, as of and for the year ended June 30, 2013, and the related notes to the financial statement.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the *Kansas Municipal Audit and Accounting Guide* as described in Note A to meet the financial reporting requirements of the State of Kansas. Management is also responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of the financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *Kansas Municipal Audit and Accounting Guide*. Those standards require we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note A, the financial statement is prepared by Unified School District No. 102 to meet the requirements of the State of Kansas on the basis of the financial reporting provisions of the *Kansas Municipal Audit and Accounting Guide*, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note A and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles” paragraph, the financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Unified School District No. 102 as of June 30, 2013, or changes in financial position and cash flows thereof for the year then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the aggregate cash and unencumbered cash balances of Unified School District No. 102 as of June 30, 2013, and the aggregate receipts and expenditures for the year then ended in accordance with the financial reporting provisions of the *Kansas Municipal Audit and Accounting Guide* described in Note A.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2013, on our consideration of the District’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances (basic financial statement) as a whole. The summary of regulatory basis expenditures – actual and budget, individual fund schedules of regulatory basis receipts and expenditures, schedule of regulatory basis receipts, expenditures and unencumbered cash – district activity funds, and the schedule of regulatory basis receipts and disbursements – all agency (Schedules 1, 2, 3, and 4 as listed in the table of contents) are presented for analysis and are not a required part of the basic financial statement, however are required to be presented under the provisions of the *Kansas Municipal Audit and Accounting Guide*. The schedule of expenditures of federal awards is presented for additional analysis as required by the United States Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statement. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statement. The information has been subjected to the auditing procedures applied in the audit of the basic financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statement or to the basic financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statement as a whole, on the basis of accounting described in Note A.

The 2012 Actual columns presented in the individual fund schedules of cash receipts and expenditures (Schedule 2 as listed in the table of contents) upon which we rendered an unqualified opinion dated November 8, 2012 are also presented for comparative analysis and are not a required part of the 2013 financial statement. The 2012 financial statements and our accompanying report are not presented herein, but are available in electronic form from the web site of the Kansas Department of Administration, Office of Management and Analysis and Standards at the following link <http://da.ks.gov/ar/muniserv/>. Such 2012 comparative information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2012 financial statements. The 2012 comparative information was subjected to the auditing procedures applied in the audit of the 2012 financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 2012 financial statements or to the 2012 financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 2012 comparative information is fairly stated in all material respects in relation to the 2012 financial statements as a whole.

Kennedy McKee & Company LLP

December 10, 2013

**UNIFIED SCHOOL DISTRICT NO. 102
CIMARRON, KANSAS**

**SUMMARY STATEMENT OF RECEIPTS, EXPENDITURES
AND UNENCUMBERED CASH
REGULATORY BASIS**

For the Year Ended June 30, 2013

<u>Fund</u>	<u>Beginning unencumbered cash balance</u>	<u>Prior period adjustments</u>	<u>Prior year canceled encumbrances</u>
General funds:			
General	\$ 1,060	\$ -	\$ 7,823
Supplemental general	61,626	-	-
Total general funds	62,686	-	7,823
Special purpose funds:			
At risk (4 yr old)	212	-	-
At risk	121	-	-
Bilingual	197	-	23
Virtual education	1,087	-	-
Capital outlay	500,782	-	6,264
Driver training	20,658	-	-
Food service	100,354	-	-
Special education	266,695	-	-
Vocational education	539	-	142
KPERS special retirement contribution	-	-	-
Gifts and grants	-	-	-
Migrant	847	-	-
Migrant education summer school	-	-	-
Contingency reserve	108,998	-	-
Textbook and student materials revolving	24,920	-	1,376
Title I	39	-	-
Title I C	12,631	-	-
Title II A	-	-	-
Title III A	-	-	-
REAP	-	-	-
District activity funds	21,131	-	-
Total special purpose funds	1,059,211	-	7,805
Bond and interest fund:			
Bond and interest	531,924	-	-
Capital project fund:			
Capital improvement	5,123,028	-	-
Total reporting entity (excluding agency funds)	\$ 6,776,849	\$ -	\$ 15,628

The notes to the financial statement are an integral part of this statement.

Receipts	Expenditures	Ending unencumbered cash balance	Add encumbrances and accounts payable	Ending cash balance
\$ 4,814,098	\$ 4,815,155	\$ 7,826	\$ 57,768	\$ 65,594
1,322,564	1,310,000	74,190	10,780	84,970
6,136,662	6,125,155	82,016	68,548	150,564
67,720	67,593	339	33	372
420,000	419,634	487	13	500
264,000	263,690	530	8	538
90,000	89,041	2,046	-	2,046
260,918	228,229	539,735	39,439	579,174
9,395	196	29,857	-	29,857
337,128	366,227	71,255	55	71,310
741,779	746,636	261,838	2,995	264,833
107,500	107,827	354	298	652
363,677	363,677	-	-	-
334,983	-	334,983	-	334,983
145,933	145,933	847	907	1,754
10,289	10,289	-	-	-
-	-	108,998	-	108,998
18,693	35,657	9,332	10,924	20,256
87,440	87,420	59	338	397
100,000	100,361	12,270	19	12,289
19,799	19,799	-	-	-
14,115	14,115	-	-	-
-	24,589	(24,589)	-	(24,589)
95,679	92,831	23,979	-	23,979
3,489,048	3,183,744	1,372,320	55,029	1,427,349
453,893	484,458	501,359	-	501,359
9,438	2,256,328	2,876,138	529,510	3,405,648
\$ 10,089,041	\$ 12,049,685	\$ 4,831,833	\$ 653,087	\$ 5,484,920

**UNIFIED SCHOOL DISTRICT NO. 102
CIMARRON, KANSAS**

**SUMMARY STATEMENT OF RECEIPTS, EXPENDITURES
AND UNENCUMBERED CASH (CONTINUED)
REGULATORY BASIS**

For the Year Ended June 30, 2013

	<u>Ending cash balance</u>
Composition of cash balance:	
Activity funds - checking	\$ 18,834
Activity funds - money market	54,614
Money market checking	1,055,292
Certificates of deposit	1,000,000
Pooled investments	<u>3,405,648</u>
Total cash and investments	5,534,388
Agency funds	<u>(49,468)</u>
Total reporting entity (excluding agency funds)	<u>\$ 5,484,920</u>

The notes to the financial statement are an integral part of this statement.

**UNIFIED SCHOOL DISTRICT NO. 102
CIMARRON, KANSAS**

NOTES TO FINANCIAL STATEMENT

June 30, 2013

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies applied in the preparation of the accompanying financial statement is presented to assist in understanding the District's financial statement. The financial statement and notes are representations of the District's management, which is responsible for their integrity and objectivity.

1. Municipal Financial Reporting Entity

Unified School District No. 102 is a municipal corporation governed by an elected six-member board. This financial statement presents only Unified School District No. 102 (the Municipality). The District has no related municipal entities.

2. Basis of Presentation - Fund Accounting

The accounts of the District are organized and operated on the basis of funds. In governmental accounting, a fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

The following types of funds comprise the financial activities of the District for the year ended June 30, 2013.

REGULATORY BASIS FUND TYPES

General funds - the chief operating funds. Used to account for all resources except those required to be accounted for in another fund.

Special Purpose funds - used to account for the proceeds of specific tax levies and other specific revenue sources (other than Capital Project and tax levies for long-term debt) that are intended for specified purposes.

Bond and Interest fund - used to account for the accumulation of resources, including tax levies, transfers from other funds for payment of general long-term debt.

Capital Project fund - used to account for the debt proceeds and other financial resources to be used for acquisition or construction of major capital facilities or equipment.

Agency fund – used to report assets held by the municipal reporting entity in a purely custodial capacity (student organization funds).

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3. Regulatory Basis of Accounting and Departure from Accounting Principles Generally Accepted in the United States of America

The *Kansas Municipal Audit and Accounting Guide* (KMAAG) regulatory basis of accounting involves the recognition of cash, cash equivalents, marketable investments, and certain accounts payable and encumbrance obligations to arrive at a net unencumbered cash and investments balance on a regulatory basis for each fund, and the reporting of changes in unencumbered cash and investments of a fund resulting from the difference in regulatory basis revenues and regulatory basis expenditures for the fiscal year. All recognized assets and liabilities are measured and reported at cost, unless they have been permanently impaired and have no future cash value or represent no future obligation against cash. The KMAAG regulatory basis does not recognize capital assets, long-term debt, accrued receivables and payables, or any other assets, liabilities or deferred inflows or outflows other than those mentioned above.

The District has approved a resolution that is in compliance with K.S.A. 75-1120a(c), waiving the requirement for application of generally accepted accounting principles and allowing the District to use the regulatory basis of accounting.

4. Budgetary Information

Kansas statutes require that an annual operating budget be legally adopted for the general funds, special purpose funds (unless specifically exempted by statute), bond and interest funds, and business funds. Although directory rather than mandatory, the statutes provide for the following sequence and timetable in adoption of the legal annual operating budget:

- a. Preparation of the budget for the succeeding fiscal year on or before August 1st.
- b. Publication in local newspaper on or before August 5th of the proposed budget and notice of public hearing on the budget.
- c. Public hearing on or before August 15th, but at least ten days after publication of notice of hearing.
- d. Adoption of the final budget on or before August 25th.

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in revenue other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least ten days after publication the hearing may be held and the governing body may amend the budget at that time. The Food Service and Special Education fund budgets were amended as follows:

<u>Fund</u>	<u>Original budget</u>	<u>Amended budget</u>
Food Service	\$ 363,800	\$ 375,000
Special Education	811,938	825,000

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4. Budgetary Information (Continued)

The statutes permit transferring budgeted amounts between line items within an individual fund. However, such statutes prohibit expenditures in excess of the total amount of the adopted budget of expenditures of individual funds. Budget comparison schedules are presented for each fund showing actual receipts and expenditures compared to legally budgeted receipts and expenditures.

All legal annual operating budgets are prepared using the regulatory basis of accounting, in which revenues are recognized when cash is received and expenditures include disbursements, accounts payable, and encumbrances, with disbursements being adjusted for prior year's accounts payable and encumbrances. Encumbrances are commitments by the municipality for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. Any unused budgeted expenditure authority lapses at year-end.

A legal operating budget is not required for the capital project fund, agency funds, and the following special purpose funds:

- Gifts and grants
- Contingency reserve
- Textbook and student materials revolving
- Federal grant funds
- District activity

Spending in funds which are not subject to the legal annual operating budget requirement is controlled by federal regulations, other statutes, or by the use of internal spending limits established by the governing body.

5. In-Substance Receipt in Transit

The District received \$380,307 subsequent to June 30, 2013 and as required by K.S.A. 72-6417 and 72-6434 the receipt was recorded as an in-substance receipt in transit and included as a receipt for the year ended June 30, 2013.

B. CAPITAL PROJECTS

Capital project authorizations with approved change orders compared with cash disbursements and accounts payable from inception are as follows:

	<u>Project authorization</u>	<u>Cash disbursements and accounts payable to date</u>
Grade School addition	<u>\$ 4,684,716</u>	<u>\$ 2,369,666</u>

C. DEPOSITS AND INVESTMENTS

K.S.A. 9-1401 establishes the depositories which may be used by the District. The statute requires banks eligible to hold the District's funds to have a main or branch bank in the county in which the District is located, or in an adjoining county if such institution has been designated as an official depository, and the banks provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the banks to pledge securities for deposits in excess of FDIC coverage. The District has no other policies that would further limit interest rate risk.

K.S.A. 12-1675 limits the District's investment of idle funds to time deposits, open accounts, and certificates of deposit with allowable financial institutions; U.S. government securities; temporary notes; no-fund warrants; repurchase agreements; and the Kansas Municipal Investment Pool. The District has no investment policy that would further limit its investment choices.

Custodial credit risk - deposits. Custodial credit risk is the risk that, in the event of a bank failure, the District's deposits may not be returned to it. State statutes require the District's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka. All deposits were legally secured at June 30, 2013.

At June 30, 2013, the District's carrying amount of deposits was \$2,128,740 and the bank balance was \$2,193,075. Of the bank balance, \$250,000 was covered by federal depository insurance and \$1,943,075 was collateralized with securities held by the pledging financial institutions' agents in the District's name.

Custodial credit risk - investments. For an investment, this is the risk that, in the event of the failure of the issuer or counterparty, the Municipality will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State statutes require investments to be adequately secured.

At June 30, 2013, the District had invested \$3,405,648 in the State's Municipal Investment Pool. The Municipal Investment Pool is under the oversight of the Pooled Money Investment Board. The board is comprised of the State Treasurer and four additional members appointed by the State Governor. The board reports annually to the Kansas legislature. State pooled monies may be invested in direct obligations of, or obligations that are insured as to principal and interest, by the U.S. government or any agency thereof, with maturities up to four years. No more than ten percent of those funds may be invested in mortgage-backed securities. In addition, the State pool may invest in repurchase agreements with Kansas banks or with primary government securities dealers.

D. LONG-TERM DEBT

Changes in long-term liabilities for the District for the year ended June 30, 2013, were as follows:

<u>Issue</u>	<u>Balance beginning of year</u>	<u>Additions</u>	<u>Reductions/ net change</u>	<u>Balance end of year</u>	<u>Interest paid</u>
General obligation bonds:					
School building bonds - Series 1993					
Issued July 1, 1993					
In the amount of \$1,005,000					
At interest rate of 0.00-4.00%					
Maturing September 1, 2013	\$ 170,000	\$ -	\$ -	\$ 170,000	\$ -

D. LONG-TERM DEBT (CONTINUED)

<u>Issue</u>	<u>Balance beginning of year</u>	<u>Additions</u>	<u>Reductions/ net change</u>	<u>Balance end of year</u>	<u>Interest paid</u>
School building bonds – Series 2009 Issued August 19, 2009 Amount of issue \$1,430,000 At interest rate of 2.25-2.65% Maturing September 1, 2014	\$ 510,000	\$ -	\$ 365,000	\$ 145,000	\$ 7,949
School building bonds - Series 2012-A Issued June 1, 2012 In the amount of \$5,300,000 At interest rate of 2.00-3.375% Maturing September 1, 2032	5,300,000	-	-	5,300,000	109,587
School building bonds – Series 2012-B Issued June 1, 2012 Amount of issue \$210,000 At interest rate of 1.00 – 1.25% Maturing September 1, 2015	<u>210,000</u>	<u>-</u>	<u>-</u>	<u>210,000</u>	<u>1,922</u>
Total general obligation bonds	<u>6,190,000</u>	<u>-</u>	<u>365,000</u>	<u>5,825,000</u>	<u>119,458</u>
Capital leases:					
Lighting upgrade Issued April 1, 2009 In the amount of \$157,826 At interest rate of 4.95% Maturing March 1, 2018	112,266	-	16,500	95,766	5,174
Mac Book computers Issued June 17, 2012 In the amount of \$123,845 At interest rate of 2.99% Maturing July 15, 2015	<u>123,845</u>	<u>-</u>	<u>32,137</u>	<u>91,708</u>	<u>905</u>
Total capital leases	<u>236,111</u>	<u>-</u>	<u>48,637</u>	<u>187,474</u>	<u>6,079</u>
Total long-term debt	<u>\$6,426,111</u>	<u>\$ -</u>	<u>\$ 413,637</u>	<u>\$6,012,474</u>	<u>\$ 125,537</u>

Current maturities of general obligation bonds and interest for the next five years and in five year increments through maturity are as follows:

<u>Year ended June 30,</u>	<u>Principal due</u>	<u>Interest due</u>	<u>Total due</u>
2014	\$ 170,000	\$ 152,522	\$ 322,522
2015	170,000	150,475	320,475
2016	205,000	147,072	352,072
2017	225,000	143,466	368,466
2018	230,000	138,916	368,916
2019-2023	1,295,000	608,505	1,903,505
2024-2028	1,585,000	421,523	2,006,523
2029-2033	<u>1,945,000</u>	<u>164,057</u>	<u>2,109,057</u>
Total	<u>\$ 5,825,000</u>	<u>\$ 1,926,536</u>	<u>\$ 7,751,536</u>

D. LONG-TERM DEBT (CONTINUED)

Current maturities of capital lease payments of principal and interest for the next five years through maturity are as follows:

<u>Year ended June 30,</u>	<u>Principal due</u>	<u>Interest due</u>	<u>Total due</u>
2014	\$ 46,999	\$ 7,274	\$ 54,273
2015	48,756	5,518	54,274
2016	50,583	3,691	54,274
2017	20,065	1,791	21,856
2018	<u>21,071</u>	<u>785</u>	<u>21,856</u>
Total	<u>\$ 187,474</u>	<u>\$ 19,059</u>	<u>\$ 206,533</u>

K.S.A. 72-6761 limits the amount of bonds that a school district may have outstanding at any one time to 14% of the assessed valuation of taxable tangible property within the school district. At year end, the District had \$5,825,000 of bonds outstanding which is 15.03% of the assessed valuation. The District has obtained permission from the Kansas State Board of Education to exceed this limitation.

E. INTERFUND TRANSFERS

Operating transfers were as follows:

<u>From</u>	<u>To</u>	<u>Amount</u>	<u>Regulatory authority</u>
General fund	At-risk (4 year-old) fund	\$ 56,500	K.S.A. 72-6428
General fund	Virtual education fund	90,000	K.S.A. 72-6428
General fund	Capital outlay fund	174,017	K.S.A. 72-6428
General fund	Special education fund	525,000	K.S.A. 72-6428
General fund	Migrant family literacy fund	<u>45,933</u>	K.S.A. 72-6428
Total general fund		<u>891,450</u>	
Supplemental general fund	Bilingual fund	264,000	K.S.A. 72-6433
Supplemental general fund	Food Service fund	80,010	K.S.A. 72-6433
Supplemental general fund	Special education fund	214,685	K.S.A. 72-6433
Supplemental general fund	Vocational education fund	107,500	K.S.A. 72-6433
Supplemental general fund	At-risk (K-12)	<u>420,000</u>	K.S.A. 72-6433
Total supplemental general fund		<u>1,086,195</u>	
Total transfers		<u>\$ 1,977,645</u>	

F. OTHER LONG-TERM OBLIGATIONS FROM OPERATIONS

Other post employment benefits. As provided by K.S.A. 12-5040, the District allows retirees to participate in the group health insurance plan. While each retiree pays the full amount of the applicable premium, conceptually, the District is subsidizing the retirees because each participant is charged a level of premium regardless of age. However, the cost of this subsidy has not been quantified in the financial statement.

Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the District makes health care benefits available to eligible former employees and eligible dependents. Certain requirements are outlined by the federal government for this coverage. The premium is paid in full by the insured. There is no cost to the District under this program.

F. OTHER LONG-TERM OBLIGATIONS FROM OPERATIONS (CONTINUED)

Section 125 plan. The District offers a Section 125 flexible benefit plan to all eligible employees. It is used for health insurance premiums, unreimbursed medical expense, dependent care expense, and other insurance premiums. The plan is administered by an independent company.

Compensated absences. The District's policies regarding vacation and sick pay permit full-time classified employees to earn up to 10 days of vacation at the close of the first year and ten days after each subsequent year of service up to six years. After six years of service, fifteen days are granted. After eleven years of service, twenty days are granted. Anniversary dates for vacation purposes are July 1st to correspond with the fiscal year of the District. Vacation time is prorated for new employees who do not complete a full fiscal year of employment on a July 1 through June 30 cycle.

At the beginning of the school year all employees are given a day of sick leave for each month of employment plus one. Sick leave may be accumulated to a total of 70 days. Classified employees who have more than 70 sick days at the beginning of the school year shall be reimbursed at a rate of \$20 per day for sick days over 70. In the event of retirement or disability of a certified employee, the District will pay for unused sick leave up to a maximum of 50 days in the amount of one-half of a substitute's daily rate at the time of reimbursement. In the event of death, the payment will be made to the beneficiary or beneficiaries as designated by KPERS.

The District has a sick leave bank for classified and certified employees in which each employee may contribute one day to the bank each year and the Board of Education will match the days contributed to the bank. A committee made up of certified employees and the superintendent shall decide upon the distribution of days. Each year the bank begins with a zero balance of sick days.

G. DEFINED BENEFIT PENSION PLAN

Plan description. The District participates in the Kansas Public Employees Retirement System (KPERS), a cost-sharing multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, et. seq. KPERS provides retirement benefits, life insurance, disability income benefits, and death benefits. Kansas law establishes and amends benefit provisions. KPERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to KPERS (611 South Kansas, Suite 100; Topeka, KS 66603), at the following website: <http://www.kpers.org/annualreport2012.pdf>, or by calling 1-888-275-5737.

Funding Policy. K.S.A. 74-4919 and K.S.A. 74-49,210 establish the KPERS member-employee contribution rates. Effective July 1, 2009 KPERS has two benefit structures and funding depends on whether the employee is a Tier 1 or Tier 2 member. Tier 1 members are active and contributing members hired before July, 1, 2009. Tier 2 members were first employed in a covered position on or after July 1, 2009. Kansas law establishes the KPERS member-employee contribution rate at 4% of covered salary for Tier 1 members and at 6% of covered salary for Tier 2 members. Member employees' contributions are withheld by their employer and paid to KPERS according to the provisions of Section 414(h) of the Internal Revenue Code. Kansas' contributions to KPERS for all Kansas public school employees for the years ending June 30, 2013, 2012, and 2011 were \$323,067,803, \$298,635,383, and \$253,834,044, respectively, equal to the required contributions for each year as set forth by the legislature. The amounts attributable to the District for the years ending June 30, 2013, 2012, and 2011 were \$363,677, \$400,851, and \$233,670, respectively. The contribution for the year ended June 30, 2011 does not reflect the amount required for the entire year.

The State of Kansas is required to contribute the statutory required employers share.

H. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District purchases commercial insurance to cover these risks. There have been no significant reductions in coverage from the prior year. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

I. CONTINGENCIES

The District receives significant financial assistance from numerous federal and state governmental agencies in the form of grants and State pass-through aid. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit. Any disallowed claims resulting from such audits could become a liability of the District. However, in the opinion of management, any such disallowed claims will not have a material effect on the financial statement of the District at June 30, 2013.

J. SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 10, 2013, the date on which the financial statement was available to be issued. Management's evaluation concluded that there are no subsequent events that are required to be recognized or disclosed in the financial statement.

**REGULATORY-REQUIRED
SUPPLEMENTARY INFORMATION**

UNIFIED SCHOOL DISTRICT NO. 102
CIMARRON, KANSAS

SUMMARY OF EXPENDITURES - ACTUAL AND BUDGET
REGULATORY BASIS

For the Year Ended June 30, 2013

<u>Fund</u>	<u>Certified budget</u>	<u>Adjustment to comply with legal maximum budget</u>	<u>Total budget for comparison</u>	<u>Expenditures chargeable to current year</u>	<u>Variance favorable (unfavorable)</u>
General funds:					
General	\$ 4,993,238	\$ (178,083)	\$ 4,815,155	\$ 4,815,155	\$ -
Supplemental general	1,310,000	-	1,310,000	1,310,000	-
Special purpose funds:					
At risk (4 year old)	67,845	-	67,845	67,593	252
At risk	450,121	-	450,121	419,634	30,487
Bilingual	298,680	-	298,680	263,690	34,990
Virtual education	96,000	-	96,000	89,041	6,959
Capital outlay	960,000	-	960,000	228,229	731,771
Driver training	15,000	-	15,000	196	14,804
Food service	375,000	-	375,000	366,227	8,773
Special education	825,000	-	825,000	746,636	78,364
Vocational education	176,640	-	176,640	107,827	68,813
KPERs special retirement contribution	377,816	-	377,816	363,677	14,139
Bond and Interest fund:					
Bond and Interest	<u>485,078</u>	<u>-</u>	<u>485,078</u>	<u>484,458</u>	<u>620</u>
Total	<u>\$ 10,430,418</u>	<u>\$ (178,083)</u>	<u>\$ 10,252,335</u>	<u>\$ 9,262,363</u>	<u>\$ 989,972</u>

See Independent Auditor's Report.

**UNIFIED SCHOOL DISTRICT NO. 102
CIMARRON, KANSAS**

GENERAL FUND

**SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
REGULATORY BASIS**

For the Year Ended June 30, 2013
(With Comparative Actual Totals for the Prior Year Ended June 30, 2012)

		2013		Variance
	2012	Actual	Budget	favorable (unfavorable)
Receipts:				
Taxes:				
Ad valorem property:				
Tax in process	\$ 13,479	\$ 14,114	\$ 4,389	\$ 9,725
Current tax	633,671	668,218	656,574	11,644
Delinquent tax	39,119	37,613	3,413	34,200
Federal aid:				
Education jobs	2,283	-	-	-
State aid:				
Equalization aid	3,542,141	3,597,671	3,776,064	(178,393)
Special education aid	487,980	496,482	551,739	(55,257)
Total receipts	<u>4,718,673</u>	<u>4,814,098</u>	<u>\$ 4,992,179</u>	<u>\$ (178,081)</u>
Expenditures:				
Instruction	2,079,945	2,419,654	\$ 2,209,284	\$ (210,370)
Student support services	107,715	120,456	113,692	(6,764)
Instructional support staff	110,941	126,390	113,895	(12,495)
General administration	200,865	193,250	207,275	14,025
School administration	326,276	349,983	361,525	11,542
Operations and maintenance	363,489	453,914	381,600	(72,314)
Student transportation services	258,201	260,058	271,153	11,095
Transfers to other funds	1,271,520	891,450	1,334,814	443,364
Adjustment to comply with legal maximum budget	-	-	(178,083)	(178,083)
Total expenditures	<u>4,718,952</u>	<u>4,815,155</u>	<u>\$ 4,815,155</u>	<u>\$ -</u>
Receipts over (under) expenditures	(279)	(1,057)		
Unencumbered cash, beginning of year	1	1,060		
Prior year canceled encumbrances	<u>1,338</u>	<u>7,823</u>		
Unencumbered cash, end of year	<u>\$ 1,060</u>	<u>\$ 7,826</u>		

See Independent Auditor's Report.

**UNIFIED SCHOOL DISTRICT NO. 102
CIMARRON, KANSAS**

SUPPLEMENTAL GENERAL FUND

**SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
REGULATORY BASIS**

For the Year Ended June 30, 2013
(With Comparative Actual Totals for the Prior Year Ended June 30, 2012)

		2013		Variance
	2012	Actual	Budget	favorable (unfavorable)
Receipts:				
Taxes:				
Ad valorem property:				
Tax in process	\$ 12,127	\$ 14,782	\$ 12,553	\$ 2,229
Current tax	622,360	673,319	657,606	15,713
Delinquent tax	24,390	30,867	3,322	27,545
Motor vehicle tax	67,619	77,026	72,982	4,044
Recreational vehicle tax	1,461	1,565	1,576	(11)
State aid:				
Supplemental State Aid	503,669	525,005	531,650	(6,645)
Total receipts	<u>1,231,626</u>	<u>1,322,564</u>	<u>\$ 1,279,689</u>	<u>\$ 42,875</u>
Expenditures:				
Operations and maintenance	191,278	223,805	\$ 203,500	\$ (20,305)
Transfers to other funds	<u>978,722</u>	<u>1,086,195</u>	<u>1,106,500</u>	<u>20,305</u>
Total expenditures	<u>1,170,000</u>	<u>1,310,000</u>	<u>\$ 1,310,000</u>	<u>\$ -</u>
Receipts over (under) expenditures	61,626	12,564		
Unencumbered cash, beginning of year	<u>-</u>	<u>61,626</u>		
Unencumbered cash, end of year	<u>\$ 61,626</u>	<u>\$ 74,190</u>		

See Independent Auditor's Report.

**UNIFIED SCHOOL DISTRICT NO. 102
CIMARRON, KANSAS**

AT RISK (4 YEAR OLD) FUND

**SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
REGULATORY BASIS**

For the Year Ended June 30, 2013
(With Comparative Actual Totals for the Prior Year Ended June 30, 2012)

		2013		Variance favorable (unfavorable)
	2012	Actual	Budget	
Receipts:				
Tuition	\$ 10,500	\$ 11,220	\$ 12,633	\$ (1,413)
Transfers:				
General fund	55,000	56,500	55,000	1,500
Total receipts	65,500	67,720	<u>\$ 67,633</u>	<u>\$ 87</u>
Expenditures:				
Instruction	65,435	67,593	<u>\$ 67,845</u>	<u>\$ 252</u>
Receipts over (under) expenditures	65	127		
Unencumbered cash, beginning of year	147	212		
Unencumbered cash, end of year	<u>\$ 212</u>	<u>\$ 339</u>		

See Independent Auditor's Report.

**UNIFIED SCHOOL DISTRICT NO. 102
CIMARRON, KANSAS**

AT RISK FUND

**SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
REGULATORY BASIS**

For the Year Ended June 30, 2013
(With Comparative Actual Totals for the Prior Year Ended June 30, 2012)

		2013		
	2012	Actual	Budget	Variance favorable (unfavorable)
Receipts:				
Transfers:				
Supplemental general fund	\$ 444,300	\$ 420,000	\$ 450,000	\$ (30,000)
Expenditures:				
Instruction	428,167	406,563	\$ 433,456	\$ 26,893
Student support services	16,185	13,071	16,665	3,594
Total expenditures	444,352	419,634	\$ 450,121	\$ 30,487
Receipts over (under) expenditures	(52)	366		
Unencumbered cash, beginning of year	173	121		
Unencumbered cash, end of year	\$ 121	\$ 487		

See Independent Auditor's Report.

**UNIFIED SCHOOL DISTRICT NO. 102
CIMARRON, KANSAS**

BILINGUAL FUND

**SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
REGULATORY BASIS**

For the Year Ended June 30, 2013
(With Comparative Actual Totals for the Prior Year Ended June 30, 2012)

		<u>2013</u>		
	<u>2012</u>	<u>Actual</u>	<u>Budget</u>	<u>Variance favorable (unfavorable)</u>
Receipts:				
Transfers:				
Supplemental general fund	<u>\$ 288,200</u>	<u>\$ 264,000</u>	<u>\$ 300,000</u>	<u>\$ (36,000)</u>
Expenditures:				
Instruction	284,492	263,690	\$ 294,650	\$ 30,960
Student support	<u>3,819</u>	<u>-</u>	<u>4,030</u>	<u>4,030</u>
Total expenditures	<u>288,311</u>	<u>263,690</u>	<u>\$ 298,680</u>	<u>\$ 34,990</u>
Receipts over (under) expenditures	(111)	310		
Unencumbered cash, beginning of year	308	197		
Prior year canceled encumbrances	<u>-</u>	<u>23</u>		
Unencumbered cash, end of year	<u>\$ 197</u>	<u>\$ 530</u>		

See Independent Auditor's Report.

UNIFIED SCHOOL DISTRICT NO. 102
CIMARRON, KANSAS

VIRTUAL EDUCATION FUND

SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
REGULATORY BASIS

For the Year Ended June 30, 2013
(With Comparative Actual Totals for the Prior Year Ended June 30, 2012)

		2013		
	<u>2012</u>	<u>Actual</u>	<u>Budget</u>	<u>Variance favorable (unfavorable)</u>
Receipts:				
Transfers:				
General fund	\$ 90,000	\$ 90,000	<u>\$ 95,000</u>	<u>\$ (5,000)</u>
Expenditures:				
Instruction	<u>88,913</u>	<u>89,041</u>	<u>\$ 96,000</u>	<u>\$ 6,959</u>
Receipts over (under) expenditures	1,087	959		
Unencumbered cash, beginning of year	<u>-</u>	<u>1,087</u>		
Unencumbered cash, end of year	<u>\$ 1,087</u>	<u>\$ 2,046</u>		

See Independent Auditor's Report.

**UNIFIED SCHOOL DISTRICT NO. 102
CIMARRON, KANSAS**

CAPITAL OUTLAY FUND

**SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
REGULATORY BASIS**

For the Year Ended June 30, 2013
(With Comparative Actual Totals for the Prior Year Ended June 30, 2012)

		2013		Variance
	2012	Actual	Budget	favorable (unfavorable)
Receipts:				
Taxes:				
Ad valorem property:				
Tax in process	\$ 51	\$ -	\$ -	\$ -
Delinquent tax	5,419	137	-	137
Motor vehicle tax	143	-	-	-
Other	300	86,765	-	86,765
Transfers:				
General fund	368,895	174,016	449,814	(275,798)
Total receipts	<u>374,808</u>	<u>260,918</u>	<u>\$ 449,814</u>	<u>\$ (188,896)</u>
Expenditures:				
Instruction	154,368	90,818	\$ 165,000	\$ 74,182
School administration	-	1,215	-	(1,215)
Operations and maintenance	71,681	114,200	80,000	(34,200)
Student transportation services	111,080	-	100,000	100,000
Facility acquisition and construction services	64,250	21,996	615,000	593,004
Total expenditures	<u>401,379</u>	<u>228,229</u>	<u>\$ 960,000</u>	<u>\$ 731,771</u>
Receipts over (under) expenditures	(26,571)	32,689		
Unencumbered cash, beginning of year	527,150	500,782		
Prior year canceled encumbrances	203	6,264		
Unencumbered cash, end of year	<u>\$ 500,782</u>	<u>\$ 539,735</u>		

See Independent Auditor's Report.

**UNIFIED SCHOOL DISTRICT NO. 102
CIMARRON, KANSAS**

DRIVER TRAINING FUND

**SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
REGULATORY BASIS**

For the Year Ended June 30, 2013
(With Comparative Actual Totals for the Prior Year Ended June 30, 2012)

		<u>2013</u>		
	<u>2012</u>	<u>Actual</u>	<u>Budget</u>	<u>Variance favorable (unfavorable)</u>
Receipts:				
Charges for services	\$ -	\$ 6,977	\$ -	\$ 6,977
State aid	<u>2,632</u>	<u>2,418</u>	<u>2,250</u>	<u>168</u>
Total receipts	<u>2,632</u>	<u>9,395</u>	<u>\$ 2,250</u>	<u>\$ 7,145</u>
Expenditures:				
Instruction	6,591	196	\$ 13,150	\$ 12,954
Operations and maintenance	<u>441</u>	<u>-</u>	<u>1,850</u>	<u>1,850</u>
Total expenditures	<u>7,032</u>	<u>196</u>	<u>\$ 15,000</u>	<u>\$ 14,804</u>
Receipts over (under) expenditures	(4,400)	9,199		
Unencumbered cash, beginning of year	<u>25,058</u>	<u>20,658</u>		
Unencumbered cash, end of year	<u>\$ 20,658</u>	<u>\$ 29,857</u>		

See Independent Auditor's Report.

**UNIFIED SCHOOL DISTRICT NO. 102
CIMARRON, KANSAS**

FOOD SERVICE FUND

**SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
REGULATORY BASIS**

For the Year Ended June 30, 2013
(With Comparative Actual Totals for the Prior Year Ended June 30, 2012)

		<u>2013</u>		Variance
	<u>2012</u>	<u>Actual</u>	<u>Budget</u>	favorable (unfavorable)
Receipts:				
Federal aid	\$ 151,517	\$ 144,600	\$ 148,241	\$ (3,641)
State aid	3,436	3,346	3,171	175
Charges for services	125,035	107,795	100,787	7,008
Interest	4,070	1,377	-	1,377
Transfers:				
Supplemental general fund	<u>55,000</u>	<u>80,010</u>	<u>60,000</u>	<u>20,010</u>
Total receipts	339,058	337,128	<u>\$ 312,199</u>	<u>\$ 24,929</u>
Expenditures:				
Food service operations	<u>338,869</u>	<u>366,227</u>	<u>\$ 375,000</u>	<u>\$ 8,773</u>
Receipts over (under) expenditures	189	(29,099)		
Unencumbered cash, beginning of year	<u>100,165</u>	<u>100,354</u>		
Unencumbered cash, end of year	<u>\$ 100,354</u>	<u>\$ 71,255</u>		

See Independent Auditor's Report.

**UNIFIED SCHOOL DISTRICT NO. 102
CIMARRON, KANSAS**

SPECIAL EDUCATION FUND

**SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
REGULATORY BASIS**

For the Year Ended June 30, 2013
(With Comparative Actual Totals for the Prior Year Ended June 30, 2012)

		<u>2013</u>		
	<u>2012</u>	<u>Actual</u>	<u>Budget</u>	<u>Variance favorable (unfavorable)</u>
Receipts:				
Other	\$ 3,340	\$ 2,094	\$ 3,500	\$ (1,406)
Transfers:				
General fund	720,000	525,000	735,000	(210,000)
Supplemental general fund	<u>21,222</u>	<u>214,685</u>	<u>116,500</u>	<u>98,185</u>
Total receipts	<u>744,562</u>	<u>741,779</u>	<u>\$ 855,000</u>	<u>\$ (113,221)</u>
Expenditures:				
Instruction	709,262	726,596	\$ 805,403	\$ 78,807
Student transportation services	<u>16,279</u>	<u>20,040</u>	<u>19,597</u>	<u>(443)</u>
Total expenditures	<u>725,541</u>	<u>746,636</u>	<u>\$ 825,000</u>	<u>\$ 78,364</u>
Receipts over (under) expenditures	19,021	(4,857)		
Unencumbered cash, beginning of year	<u>247,674</u>	<u>266,695</u>		
Unencumbered cash, end of year	<u>\$ 266,695</u>	<u>\$ 261,838</u>		

See Independent Auditor's Report.

**UNIFIED SCHOOL DISTRICT NO. 102
CIMARRON, KANSAS**

VOCATIONAL EDUCATION FUND

**SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
REGULATORY BASIS**

For the Year Ended June 30, 2013
(With Comparative Actual Totals for the Prior Year Ended June 30, 2012)

		<u>2013</u>		
	<u>2012</u>	<u>Actual</u>	<u>Budget</u>	<u>Variance favorable (unfavorable)</u>
Receipts:				
Transfers:				
Supplemental general fund	\$ 170,000	\$ 107,500	<u>\$ 180,000</u>	<u>\$ (72,500)</u>
Expenditures:				
Instruction	<u>169,780</u>	<u>107,827</u>	<u>\$ 176,640</u>	<u>\$ 68,813</u>
Receipts over (under) expenditures	220	(327)		
Unencumbered cash, beginning of year	319	539		
Prior year canceled encumbrances	<u>-</u>	<u>142</u>		
Unencumbered cash, end of year	<u>\$ 539</u>	<u>\$ 354</u>		

See Independent Auditor's Report.

**UNIFIED SCHOOL DISTRICT NO. 102
CIMARRON, KANSAS**

KPERS SPECIAL RETIREMENT CONTRIBUTION FUND

**SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
REGULATORY BASIS**

For the Year Ended June 30, 2013
(With Comparative Actual Totals for the Prior Year Ended June 30, 2012)

		2013		Variance
	2012	Actual	Budget	favorable (unfavorable)
Receipts:				
State aid	\$ 400,851	\$ 363,677	\$ 377,816	\$ (14,139)
Expenditures:				
Instruction	280,650	257,248	\$ 278,604	\$ 21,356
Student support services	11,748	11,914	10,272	(1,642)
Instructional support staff	17,337	15,628	10,042	(5,586)
General administration	15,085	13,649	15,177	1,528
School administration	30,947	26,443	24,311	(2,132)
Operations and maintenance	19,445	16,848	17,118	270
Student transportation services	13,918	11,778	10,855	(923)
Food service	11,721	10,169	11,437	1,268
Total expenditures	400,851	363,677	\$ 377,816	\$ 14,139
Receipts over (under) expenditures	-	-		
Unencumbered cash, beginning of year	-	-		
Unencumbered cash, end of year	\$ -	\$ -		

See Independent Auditor's Report.

**UNIFIED SCHOOL DISTRICT NO. 102
CIMARRON, KANSAS**

NON-BUDGETED SPECIAL PURPOSE FUNDS

**SCHEDULE OF RECEIPTS AND EXPENDITURES
REGULATORY BASIS**

For the Year Ended June 30, 2013

	Migrant	Contingency reserve	Textbook and student materials revolving	Title I
Receipts:				
Donations	\$ -	\$ -	\$ -	\$ -
Fees	-	-	18,693	-
Federal aid	100,000	-	-	87,440
Transfer from general fund	45,933	-	-	-
	<u>145,933</u>	<u>-</u>	<u>18,693</u>	<u>87,440</u>
Total receipts	<u>145,933</u>	<u>-</u>	<u>18,693</u>	<u>87,440</u>
Expenditures:				
Instruction	119,644	-	35,657	87,420
Instruction support staff	19,089	-	-	-
General administration	-	-	-	-
School administration	-	-	-	-
Operations and maintenance	7,200	-	-	-
	<u>145,933</u>	<u>-</u>	<u>35,657</u>	<u>87,420</u>
Total expenditures	<u>145,933</u>	<u>-</u>	<u>35,657</u>	<u>87,420</u>
Receipts over (under) expenditures	-	-	(16,964)	20
Unencumbered cash, beginning of year	847	108,998	24,920	39
Prior year canceled encumbrances	-	-	1,376	-
	<u>-</u>	<u>-</u>	<u>1,376</u>	<u>-</u>
Unencumbered cash, end of year	<u>\$ 847</u>	<u>\$ 108,998</u>	<u>\$ 9,332</u>	<u>\$ 59</u>

See Independent Auditor's Report.

Title I C migrant	Title II A	Title III A	REAP	Gifts and grants	Migrant education summer school	Total
\$ -	\$ -	\$ -	\$ -	\$ 334,983	\$ -	\$ 334,983
-	-	-	-	-	-	18,693
100,000	19,799	14,115	-	-	10,289	331,643
-	-	-	-	-	-	45,933
100,000	19,799	14,115	-	334,983	10,289	731,252
45,881	19,799	14,115	24,589	-	10,289	357,394
37,721	-	-	-	-	-	56,810
6,337	-	-	-	-	-	6,337
10,422	-	-	-	-	-	10,422
-	-	-	-	-	-	7,200
100,361	19,799	14,115	24,589	-	10,289	438,163
(361)	-	-	(24,589)	334,983	-	293,089
12,631	-	-	-	-	-	147,435
-	-	-	-	-	-	1,376
<u>\$ 12,270</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (24,589)</u>	<u>\$ 334,983</u>	<u>\$ -</u>	<u>\$ 441,900</u>

**UNIFIED SCHOOL DISTRICT NO. 102
CIMARRON, KANSAS**

BOND AND INTEREST FUND

**SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
REGULATORY BASIS**

For the Year Ended June 30, 2013
(With Comparative Actual Totals for the Prior Year Ended June 30, 2012)

		2013		Variance
	2012	Actual	Budget	favorable (unfavorable)
Receipts:				
Taxes:				
Ad valorem property:				
Tax in process	\$ 7,104	\$ 4,413	\$ 3,682	\$ 731
Current tax	183,987	240,564	233,870	6,694
Delinquent tax	18,482	17,231	974	16,257
Motor vehicle tax	39,798	35,918	34,577	1,341
Recreational vehicle tax	862	740	747	(7)
State aid:				
Supplemental state aid	121,902	155,027	155,027	-
Total receipts	<u>372,135</u>	<u>453,893</u>	<u>\$ 428,877</u>	<u>\$ 25,016</u>
Expenditures:				
Debt service:				
Principal	360,000	365,000	\$ 365,000	\$ -
Interest	20,943	119,458	119,458	-
Commission and postage	-	-	620	620
Total expenditures	<u>380,943</u>	<u>484,458</u>	<u>\$ 485,078</u>	<u>\$ 620</u>
Receipts over (under) expenditures	(8,808)	(30,565)		
Unencumbered cash, beginning of year	<u>540,732</u>	<u>531,924</u>		
Unencumbered cash, end of year	<u>\$ 531,924</u>	<u>\$ 501,359</u>		

See Independent Auditor's Report.

**UNIFIED SCHOOL DISTRICT NO. 102
CIMARRON, KANSAS**

CONSTRUCTION FUND

**SCHEDULE OF RECEIPTS AND EXPENDITURES
REGULATORY BASIS**

For the Year Ended June 30, 2013
(With Comparative Actual Totals for the Prior Year Ended June 30, 2012)

	<u>2012</u>	<u>2013</u>
Receipts:		
Interest	\$ 128	\$ 1,152
Bond proceeds	<u>5,377,728</u>	<u>8,286</u>
Total receipts	<u>5,377,856</u>	<u>9,438</u>
Expenditures:		
Bond contingency	-	36,337
Debt service	93,614	655
Architectural fees	152,250	132,781
Construction	<u>8,964</u>	<u>2,086,555</u>
Total expenditures	<u>254,828</u>	<u>2,256,328</u>
Receipts over (under) expenditures	5,123,028	(2,246,890)
Unencumbered cash, beginning of year	<u>-</u>	<u>5,123,028</u>
Unencumbered cash, end of year	<u><u>\$ 5,123,028</u></u>	<u><u>\$ 2,876,138</u></u>

See Independent Auditor's Report.

**UNIFIED SCHOOL DISTRICT NO. 102
CIMARRON, KANSAS**

DISTRICT ACTIVITY FUNDS

SCHEDULE OF RECEIPTS, EXPENDITURES
AND UNENCUMBERED CASH
REGULATORY BASIS

For the Year Ended June 30, 2013

<u>Fund</u>	<u>Beginning unencumbered cash balance</u>	<u>Receipts</u>	<u>Expenditures</u>	<u>Ending unencumbered cash balance</u>	<u>Add encumbrances and accounts payable</u>	<u>Ending cash balance</u>
Gate receipts:						
High school:						
Athletics	\$ 4,080	\$ 55,144	\$ 52,263	\$ 6,961	\$ -	\$ 6,961
Athletic student	7,370	11,206	12,526	6,050	-	6,050
Total gate receipts	11,450	66,350	64,789	13,011	-	13,011
School projects:						
High school:						
Annual	-	7,735	7,735	-	-	-
Ind. Tech. Building	205	5,611	4,901	915	-	915
Musical	6,433	12,785	12,595	6,623	-	6,623
Shop	-	2,346	2,346	-	-	-
Weight Club	328	250	20	558	-	558
Grade School:						
Library	1,770	602	299	2,073	-	2,073
Mexican Fiesta	945	-	146	799	-	799
Total school projects	9,681	29,329	28,042	10,968	-	10,968
Total district activity funds	\$ 21,131	\$ 95,679	\$ 92,831	\$ 23,979	\$ -	\$ 23,979

See Independent Auditor's Report.

**UNIFIED SCHOOL DISTRICT NO. 102
CIMARRON, KANSAS**

AGENCY FUNDS

**SCHEDULE OF RECEIPTS AND DISBURSEMENTS
REGULATORY BASIS**

For the Year Ended June 30, 2013

Fund	Beginning cash balance	Receipts	Disbursements	Ending cash balance
Student activity funds:				
High school:				
Band	\$ 3,652	\$ 24,279	\$ 27,931	\$ -
C club	-	-	-	-
Cheerleaders	4,339	17,024	20,568	795
Educational Fund	631	1,262	607	1,286
Seventh	-	187	-	187
Eighth	140	363	300	203
Freshmen	416	171	49	538
Sophomores	747	912	376	1,283
Juniors	930	29,618	24,408	6,140
Seniors	6,704	6,924	13,628	-
FCCLA	4,832	6,643	5,287	6,188
FFA	6,197	8,476	8,445	6,228
Foreign language club	-	-	-	-
Forensics	243	185	-	428
Gifted	320	-	-	320
HS drill team	-	-	-	-
JH drill team	-	-	-	-
HS keys	53	933	884	102
JH keys	191	477	551	117
JH pep club	1,081	1,676	2,621	136
Library	280	631	424	487
Miscellaneous	-	12,052	12,052	-
National Honor Society	9	15,111	13,677	1,443
National Honor Society (Nate Fund)	1,407	-	882	525
SADD	3,456	516	669	3,303
Scholars bowl	125	84	87	122
Student council	2,479	2,780	3,432	1,827
Tri-M	495	1,469	848	1,116
TSA	836	451	555	732
Subtotal high school	39,563	132,224	138,281	33,506
Grade school:				
Box Tops	12,496	5,746	7,805	10,437
Carnival Fund	5,525	-	-	5,525
Pep club	-	-	-	-
Junior high	-	-	-	-
Subtotal elementary school	18,021	5,746	7,805	15,962
Total agency funds	\$ 57,584	\$ 137,970	\$ 146,086	\$ 49,468

See Independent Auditor's Report.

APPENDICES

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Board of Education
Unified School District No. 102
Cimarron, Kansas

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statement of Unified School District No. 102, Cimarron, Kansas as of and for the year ended June 30, 2013, and the related notes to the financial statement, and have issued our report thereon dated December 10, 2013. Our report on the financial statement disclosed that, as described in Note A to the financial statement, the District has prepared this financial statement in conformity with the accounting practices prescribed by the State of Kansas, which practices differ from accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered Unified School District No. 102's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's financial statement will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Unified School District No. 102's financial statement is free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Kennedy McKee & Company LLP

December 10, 2013

Kennedy
McKee & Company LLP Certified Public Accountants

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

Board of Education
Unified School District No. 102
Cimarron, Kansas

Report on Compliance for Each Major Federal Program

We have audited Unified School District No. 102's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2013. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Unified School District No. 102's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal Program

In our opinion, Unified School District No. 102 complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

Management of Unified School District No. 102 is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2013-01 and 2013-02, which we consider to be significant deficiencies.

Unified School District No. 102's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Unified School District No. 102's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Kennedy McKee & Company LLP

December 10, 2013

**UNIFIED SCHOOL DISTRICT NO. 102
CIMARRON, KANSAS**

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2013

Federal grantor/ pass-through grantor/ program title	Federal CFDA number	Pass-through grantor's number	Unencumbered cash beginning of year	Canceled encumbrances	Cash receipts	Expenditures	Unencumbered cash end of year
<u>U.S. Department of Education</u>							
Direct award:							
Rural Education Achievement Program	84.358	N/A	\$ -	\$ -	\$ -	\$ 24,589	\$ (24,589)
Passed through Kansas Department of Education:							
Title I Program	84.010	N/A	39	-	87,440	87,420	59
Migrant Family Literacy Program	84.011	N/A	847	-	100,000	100,000	847
Migrant Program 2010-2011	84.011	N/A	5,535	-	-	-	5,535
Migrant Program 2011-2012	84.011	N/A	7,096	-	-	361	6,735
Migrant Program 2012-2013	84.011	N/A	-	-	100,000	100,000	-
Migrant Education Summer School	84.011	N/A	-	-	10,289	10,289	-
Migrant Program	84.011	N/A	-	-	305	305	-
Title II A - Improving Teacher Quality	84.367	N/A	-	-	19,799	19,799	-
Title III A - English Language Acquisition	84.365	N/A	-	-	14,115	14,115	-
			<u>13,517</u>	<u>-</u>	<u>331,948</u>	<u>356,878</u>	<u>(11,413)</u>

**UNIFIED SCHOOL DISTRICT NO. 102
CIMARRON, KANSAS**

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)

For the Year Ended June 30, 2013

Federal grantor/ pass-through grantor/ program title	Federal CFDA number	Pass-through grantor's number	Unencumbered cash beginning of year	Canceled encumbrances	Cash receipts	Expenditures	Unencumbered cash end of year
<u>U.S. Department of Agriculture</u>							
Passed through Kansas Department of Education:							
School Breakfast Program	10.553	N/A	\$ -	\$ -	\$ 22,642	\$ 22,642	\$ -
National School Lunch Program	10.555	N/A	-	-	121,958	121,958	-
Team Nutrition Training Grant	10.574	N/A	-	-	164	164	-
			-	-	144,764	144,764	-
37 Total federal assistance			<u>\$ 13,517</u>	<u>\$ -</u>	<u>\$ 476,712</u>	501,642	<u>\$ (11,413)</u>
Grant funds returned to the State						-	
Federal expenditures per the Data Collection Form						<u>\$ 501,642</u>	

Note - The Schedule of Expenditures of Federal Awards is prepared in conformity with the accounting practices prescribed by the Kansas Municipal Audit and Accounting Guide as approved by the State of Kansas.

**UNIFIED SCHOOL DISTRICT NO. 102
CIMARRON, KANSAS**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year ended June 30, 2013

A. SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an unmodified opinion on the financial statement of Unified School District No. 102.
2. No significant deficiencies relating to the audit of the financial statement are reported in the Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
3. No instances of noncompliance material to the financial statement of Unified School District No. 102 which would be required to be reported in accordance with *Government Auditing Standards* were disclosed during the audit.
4. Two significant deficiencies relating to the audit of internal control over major federal award programs were reported in the Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by OMB Circular A-133.
5. The auditor's report on compliance for the major federal award programs for Unified School District No. 102 expresses an unmodified opinion on all major federal programs.
6. Audit findings required to be reported in accordance with Section 510(a) of OMB A-133 are reported in this schedule.
7. The programs tested as major programs included:

Migrant Program	CFDA 84.011
Child Nutrition Program Cluster:	
School Breakfast Program	CFDA 10.553
National School Lunch Program	CFDA 10.555
8. The threshold for distinguishing Type A and B programs was \$300,000.
9. Unified School District No. 102 did not qualify as a low-risk auditee.

B. FINDINGS - FINANCIAL STATEMENT AUDIT

None noted

CIMARRON, KANSAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

Year ended June 30, 2013

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS

Department of Agriculture

2013-01 Child Nutrition Cluster – CFDA 10.553 and 10.555

Grant period: Year Ended June 30, 2013

Condition: We examined the applications verified by the District and noted that one of the applications selected for verification was eligible based on Direct Certification. Therefore, this application was not subject to verification. Consequently, the appropriate percentage of applications was not verified by the District.

Criteria: By November 15th of each school year, the District must verify the current free and reduced price eligibility of households selected from a sample of applications that it has approved for free and reduced price meals. The verification sample size is 3 percent of approved applications on file on October 1 of the school year. Only applications approved based on household size and income and applications based on a case number of certain programs are subject to verification.

Effect: Based on the above criteria, the District did not verify 3 percent of approved applications on file.

Cause: The application was initially approved based on household size and income. However, once District personnel became aware that the application was eligible based on Direct Certification they did not remove it from the verification sample.

Recommendation: We recommend that District personnel make sure all applications are appropriately classified in their system before completing the verification process to ensure that the proper applications are verified.

Response: District personnel agree with the finding and have taken steps to correct it.

2013-02 Child Nutrition Cluster – CFDA 10.553 and 10.555

Grant period: Year Ended June 30, 2013

Condition: We examined the applications verified by the District and noted that one of the applications selected for verification based on household size and income did not have documentation attached to support the income shown on the application.

Criteria: If an application is selected for verification based on household size and income, the District must obtain documentation from the applicant to support the information shown on the application.

Effect: Income shown on the application was not verified.

Cause: District personnel did not obtain the proper documentation to verify income on the application.

CIMARRON, KANSAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

Year ended June 30, 2013

C. FINDINGS AND QUESTIONED COSTS MAJOR FEDERAL AWARDS PROGRAM (CONTINUED)

Recommendation: We recommend that controls be put in place to ensure that District personnel obtain all relevant documentation to support the information shown on the applications before the verification process is complete.

Response: District personnel agree with the finding and have taken steps to correct it.

**UNIFIED SCHOOL DISTRICT NO. 102
CIMARRON, KANSAS**

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Year ended June 30, 2013

FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS

Department of Education

2012-01 Migrant Program; Grant period: Year Ended June 30, 2012

Condition: We examined the "Request for Federal Program Funds Form 240" noting the form was completed on a monthly basis. On the last request of the year the District estimated that they would have the same amount of expenses as their remaining allocation. However, the actual expenditures at the end of the year were significantly less than the estimate.

Recommendation: We recommend each individual grant's revenues and expenditures be recorded separately in order to appropriately track the remaining available grant funding.

Current Status: The District concurred with the recommendation. No similar findings were noted in the June 30, 2013 audit and the excess funds were returned in fiscal year 2014.

2012-02 Migrant Program; Grant period: Year Ended June 30, 2012

Condition: We examined the "Local Consolidated Plan Revision and Carryover" application and noted that the expenditures reported were in excess of the actual expenditures.

Recommendation: We recommend each individual grant's revenues and expenditures be recorded separately in order to appropriately track the remaining available grant funding.

Current Status: The District concurred with the recommendation. No similar findings were noted in the June 30, 2013 audit.